2: MacDonald S-4 (no date) 1946 EK1 Austria EK1

the federal Government, or from individual members of the Government, they would be thereby removed from office.[1] It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.[2] The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,[3] before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.[4] Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

[1] It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

[2] Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

[3] Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

[4] *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

was prohibited, while the Union of the Soviet Socialist Republics decreed the transfer of such assets to a special administration created for this purpose (USIVA, later USIA). In the eastern part of the country, therefore, enterprises representing such assets became "foreign administrative and economic enclavements" within the Austrian economy. 727 471

The definite solution of this question, important to and difficult for the Austrian economy, however, is reserved to the signing of an Austrian state treaty.

b) The "nationalization legislation." 471

In connection with the question as to the scope of freedom and economic relationships to achieve the highest possible degree of national economic productivity (which had been brought up for discussion in a number of European nations), the Austrian authorities were compelled to cope also with the ideologies and trends relative thereto, whereby compulsory issues had to be considered.

With her nationalization legislation Austria endeavored to follow a middle course, which, via a transfer to the government of ownership rights with stipulated compensations, nevertheless permitted management of the various (nationalized) enterprises under the same economic requisites as those ruling the private sector.

The scope of nationalization was fixed by two nationalization laws, i.e., of July 26, 1946, and March 26, 1947. Both of these laws expressly stated the names of the enterprises concerned. However, if not specifically stipulated, only certain enterprises and not entire business sectors were nationalized. The two nationalization laws differ insofar as, under the first, the stipulated enterprises and plants became ex lege (immediately) properties of the government, while under the second the establishments of the electric power sector were transferred by order of the competent administrative authority. The second nationalization law therefore is solely an organization and omnibus bill.

While the administration of the government's participations in nationalized industrial and electric power enterprises (according to the federal law of December 16, 1949, decreeing the discontinuance of 471 655

471 some federal ministries as well as the reorganization
655 of the sphere of action of others), is being taken care of by the federal ministry for traffic and nationalized enterprises, the administration of the nationalized commercial banks falls within the competence of the Federal Ministry of Finance. The nationalization comprises:

[453] 1.) The large banks (Creditanstalt-Bankverein, Oesterreichische Länderbank AG, and Hypotheken- u. Kreditinstitut);

[327] 2.) The most important enterprises of the iron and steel industry (Oesterreichische Alpine Montangesellschaft, Vereinigte Oesterreichische Eisen- und Stahlwerke A. G., Linz, Schoeller-Bleckmann Stahlwerke A. G., Vienna, Gebrüder Böhler u. Co., A. G., Vienna);

[316] 3.) The most important coal mines (Wolfsegg-Traunthaler Kohlenbergwerke A.G., Linz, Steirische Kohlenbergwerke A.G., Vienna, Lankowitzer Kohlen-Compagnie, Vienna, etc.);

[392] 4.) A number of important enterprises of the
[393] electric and machine manufacturing industry (AEG-Union Elektrizitätsgesellschaft, Vienna; Simmering-Graz-Pauker A. G. für Maschinen-, Kessel- und Waggonbau, Vienna, etc.);

5.) The Oesterreichische Stickstoffwerke A. G., Linz;

[314] 6.) The most important non-ferrous mining enterprises (Bleiberger Bergwerks-Union, Klagenfurt; Montanwerke Brixlegg Ges. m.b.H., Brixlegg; Kupferbergbau Mitterberg, Münlbach am Hochkönig; Aluminiumwerk Mattighofen-Ranshofen);

[505] 7.) The Erste Donau Dampfschiffahrtsgesellschaft, Vienna;

[377] 8.) The large enterprises producing electric power; and, finally,

[315] 9.) The enterprises for the exploitation of crude oil.

With the enacted legislation the ownership-rights (re: corporations) or the assets and liabilities of certain enterprises (limited companies, etc.) or plants (branch establishments of enterprises located abroad) became the property of the Republic of Austria. This in turn implied also the transfer of the administration of the nationalized enterprises to the Austrian government, provided that such enterprises were not located within the Russian zone (USIA establishments) and therefore beyond Austrian control. The enforcement of the nationalization, however, is not completed because:

1.) Most of the enterprises nationalized under the terms of the first nationalization law represent "German Property," the definite settlement of which is left to the signing of a state-treaty; 471 655
2.) The "German Property" located in the American zone of Austria has been transfered in trust, whereby, in accordance with the terms of the trust agreement, no changes of proprietor status are permitted without prior consent of the United States occupation element;
3.) There is a binding contract of the federal government to enforce the nationalization laws covering enterprises belonging wholly or partly to citizens of the United Nations after settlement of compensation claims.

A decision about compensations also had to be left pending. Despite the written undertaking of the Austrian federal government to compensate the prior proprietors, it has not as yet been possible to fix such compensations for the following reasons:

1.) The three aforesaid reasons prevent, for the time being, a settlement of this question;
2.) The definition of the conception "German Property," as yet not clear, does not permit the definite fixing of the scope and the amount of such compensations;
3.) In consideration of the prevailing uncertainties of the nation, the date under which a calculation of the values of the confiscated enterprises has to be effected is still open and likewise the compensation form;
4.) Legal prerequisites, especially with regard to enterprises partly administered by an occupation element and partly by an Austrian authority, have not as yet been established.

The nationalized enterprises are continuing business under their former legal status, i.e., as corporation and limited companies and under the same regulations covering enterprises of the private sector. Thus, for instance, the nationalized industrial enterprises are not accomodated with special credit terms for reconstruction purposes by the large nationalized banking institutions. They are subjected to the same controls and regulations as enterprises of the private sector, enjoying no privileges with regard to taxations, etc. They are exempted only from the payment of the property-tax. With regard to competition, they are further required to adhere to the same principles and 475 471 [651]

652 727 schillings in the same period. Of the occupation costs the Soviet occupation force absorbs more than half of the total amount. Up to the fall of 1950 Soviet Russia received from current Austrian production about 1,094 million dollars as occupation costs and confiscation of Austrian properties abroad. (Help from the Western powers, especially the USA, has amounted to about 986 million dollars since 1945.)

655 652 Of the profit-making state-owned enterprises, which produced a surplus before the war, now only those which actually constitute a state monopoly (salt, spirits) produce a surplus, while other state enterprises, the "Bundesbetriebe" (such as postal service and theaters) and the Federal Railways have a deficit. The deficits, however, are being decreased since 1946 by means of higher tariffs, dismissal of personnel and progressive rationalization (investments), from 17.7 per cent of expenditures in 1946 to 6.5 per cent in the budget estimate of 1950.

651 [652] Out of the total revenue (based on the principle of net income) 80 to 85 per cent came from taxes levied since the end of the war. If one includes the income from various revenues similar to taxes (such as contributions to unemployment insurance, fees to child-welfare, etc.) the amount of taxes increases from 90 to 95 per cent, the remainder consisting of fees, interest and contributions from corporations and the income of the Postal Savings Bank (Postsparkasse).

The main support of the whole tax system since the end of the war is formed by direct taxes. Their part in the total tax income, in the years 1946-50, ranged between 44 per cent and 53 per cent as compared to 29 per cent in 1937; accordingly indirect taxes decreased in importance as compared to the prewar period. The income from the turnover-tax and from customs duties decreased from 42 per cent in 1937 to 24 per cent in 1950 as a consequence of structural changes in the system of taxation since 1938.

652 The Austrian treasury endeavors, in accordance with the bilateral agreement of July 2, 1948, to keep up the balance of the state budget and of the budgets of the federal countries (Länder) and municipalities, in spite of the enormous demands on public funds.

The main economic aim of the financial policy is to secure the highest possible employment and to continue the extension of all investments pertaining to economic productivity.

652 tons, the production of iron and steel to 1 million
[195] tons annually, the output of rolling mills to ap-
433 proximately 750,000 tons. Further increases in pro-
454 duction will be provided in: bauxite mining, aluminum production, production of cellulose, paper and pulp. In the same manner the export capacity of nitrogen plants (Stickstoffwerke in Linz), one of the most important producers of foreign currencies in the Austrian economy, will be increased by 50 per cent. In the chemical industry additional investments will make it possible to start production of sulfuric acid and phosphate fertilizer. The single projects will be discussed in detail in another connection.

b) The renovation and rationalization of the primary industries.

The Austrian government holds to the principle (insofar as none of the theoretical considerations in the preceding chapter interferes) that in building up its program of investments cheap primary products lower the production costs in the finishing industries and this allows them to compete in the sharp competitive battle with other highly industrialized [655] European countries. Certain focal points of investments have been formed, encompassing especially coal, iron and steel, ore mining, and the smelting industry as well as electrical power. These are mainly nationalized enterprises. For investment purposes in the years 1948 and 1949 they received a total sum of 1,627.4 million schillings out of public funds. Of this amount, 958.5 million schillings were reconstruction credits, 481.6 million schillings were capital payments of the Federal government, 31.2 million schillings were federal loans and 156.1 million schillings were credits guaranteed by the state. In 1950 a sum of 30 million schillings was provided in state capital contributions; in the same year (fall of 1950) the funds released from the ERP for the above-mentioned branches of industry totaled 133 million, 283 million and 418.5 million schillings used essentially as follows:

316 (1) Investments in coal-mining.
154 During the war the coal mines (predominantly brown coal in Austria) suffered greatly in their development because of overproduction and neglect of needed renovation as well as delay in planned expansion. Within the scope of the Marshall Plan the necessary renovation and rationalization of operation, mining improvements, shaping of daily operations, deep mining,

f) Investments for the federal railways and the post and telegraph service. 655 [496]

The Austrian federal railways received 210 million schillings in 1950 to carry out planned investments. Especially mentioned should be: the Semmering tunnel financed in 1950 by ERP counterpart funds, the Prebichl tunnel, the Tauern tunnel, the Danube bridges at Tulin and Krems, the Inn bridge in Brixlegg and the Nordwestbahn bridge in Vienna. These high allocations to the federal railway system were necessary to enable the whole transport system, which was heavily damaged by war action and dismantling, to keep pace with the recovery of the national economy. Gradual renovation of the rolling stock, restoration of road beds and tracks, building of bridges, installations for freight, repair of railway shops and track installations (such as signal houses, etc.) were necessary to fulfill the requirements of the economy.

The same consideration holds true for the Austrian post and telegraph administration, which received 60 million schillings from counterpart funds in 1950 and for which another 15 million schillings were reserved by the December grant. The postal system was able to carry out most of its projected plans. In particular, the transfer of the planned coaxial cable was accomplished. Damaged district cables were changed or transferred in the course of installing the automatic telephone system. Various automatic telephone central offices were enlarged and two new trunk exchanges built. [205] [206]

435 655 [651] 3. The tariffs of the public corporations (Federal Railway, Posts, Tramways) as well as the prices for current were increased from 20 per cent to 100 per cent to keep pace with the prices on the world market which had increased due to increases in cost (especially the price of coal); the trend toward a deficit in the Federal Railway and public service enterprises had to be checked. In spite of these considerable increases, these price rises were only three to five times as high as the level of 1937.

[1465] 4. On the basis of the newly calculated producer and import tax prices, new retailer prices were worked out; to balance this rise every receiver of gross wages received an additional income of from 10 per cent to 12 per cent per month, but at least a minimum of 140 schillings. For persons in the public service, special measures were taken on the ground of the so-called "Gehaltsüberleitungsgesetz."

[65] 5. Finally, in immediate connection with this agreement a number of taxes and duties were altered: progression of the taxes on wages and incomes; a change in the rates of the mineral tax; a change in the contributions of the employers to the balance funds for charitable relief; a change in the turnover-tax; on the grounds of the law of adjustment of social insurance of 1951, the basis of the maximum contributions to social security were changes.[2]

[648] [654] The most remarkable progress within the scope of this agreement, however, was (as already mentioned) the reduction of subsidies. As is known, the individual ERP countries obligated themselves in the bilateral economic agreements (Austrian agreement, August 2, 1948) toward the USA to pay the full value of the American relief deliveries in the currency of the recipient country on a special account (counterpart accounts). These accounts should be disposed of by the individual governments in accordance with the approval of the ECA to cover, as a rule, the financing of productive investments and to support currencies. The utilization of these means for financing for consumer goods should be limited as far as possible, although this had been tolerated in the beginning to raise the general standard of living. The purpose of this limitation was not to prolong the dependence upon foreign aid which was to end toward the end of June 1952.

457 652 With regard to the necessary balancing of the balance of payments (the special measures to achieve

[1] [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
[2] [sic.,--Analyst]

THE AUSTRIAN TOBACCO MONOPOLY.

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The Austrian State Tobacco Monopoly ("Tabakregie") was founded in the year 1784, through letters patent of the Emperor Joseph II. It extended to all the lands of the Monarchy, thus taking in Bohemia, Moravia, Silesia, Galicia and the Bukowina, Carniola, Istria, Dalmatia and South Tyral as well as the territory of the present Republic. At the time of its maximum expansion—about the middle of the 19th century—it also embraced Hungary, Venetia and Lombardy, as well as the principality of Liechtenstein.

The vitality of the old Austrian tobacco monopoly was evident after 1918 both through the new-born monopolies of the newly created Succession States and through the Austrian Tabakregie itself. Although suddenly confined within a territory populated by only seven million inhabitants, it survived all the shocks of the previous decade and developed into a modern and efficient industrial undertaking of the State.

After the First World War there were only 9 factories left to the Austrian Tabakregie out of 30, the whole comprehensive organisation having come to an end. Its markets which had been carefully mapped out and developed were mostly destroyed or permanently closed to it.

By the end of the second World War the number of factories had been reduced to seven. More serious still was the widespread damage done to buildings, tobacconists' shops, machinery, transport vehicles and stocks. The stock losses included 162 million cigarettes, 37 million cigars and about 1,800,000 kg of raw tobacco. The internal organisation had been thrown out of gear and cramped by external forces; important

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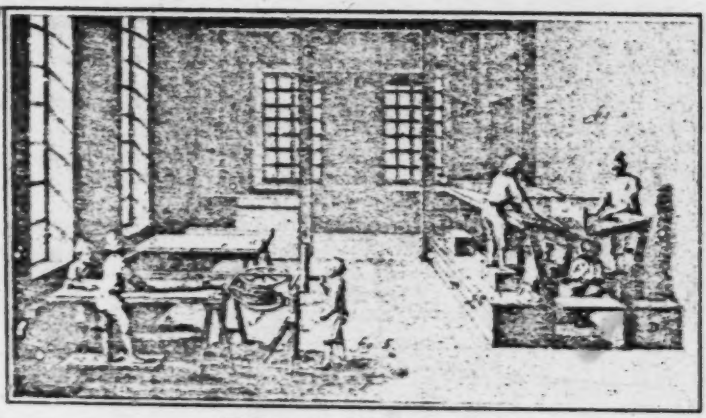

The Preparation of Tobacco in 1783.

655 foreign connections had been severed and both exports and imports had come to a standstill. Such was the difficult position which confronted those called upon to rebuild the monopoly.

Future prospects may be estimated from a comparison of the figures for the sale of cigarettes in former times and today.

276 In the year 1913, 6,349,000,000 cigarettes were sold throughout the entire Monarchy (which had then a population of 56 million), i. e. one cigarette every third day per head of population. In the year 1933, under the First Republic, 5,409,000,000 cigarettes were sold (to a population of 7,000,000), seven times as much per head as in 1913. In the year 1947, when supplies were limited and strictly rationed, 3,233,000,000 cigarettes were sold. Thus this much reduced Austria consumed a quantity of cigarettes which proportionately compares favourably with the figures for the old Empire. This will almost certainly continue to increase, as women are smoking more and more.

655 The Austrian Tabakregie is capable of coping with every increase of demand which may be expected. The elastic organisation of the concern as a modern joint stock company enables it to readjust itself rapidly to meet changing conditions. It is now only a question of obtaining supplies of raw materials, of restoring regular connections with foreign markets and of the provision of a reasonable amount of foreign currency for the Regie to be able to work to full capacity again as before the last war.

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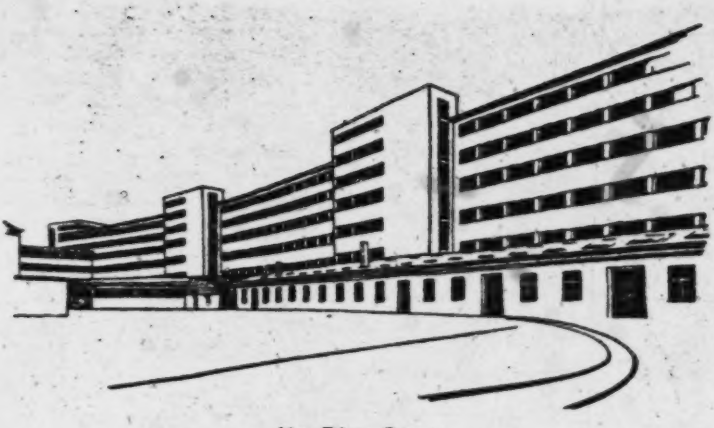

Linz, Tobacco Factory.

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The traditional high quality of Austrian tobacco products is due to the use of high-grade foreign materials, chiefly certain oriental tobaccos. These can never be replaced by inland tobacco, since climate and soil do not permit the growth of similar types here. Nevertheless, the inland cultivation of tobacco is encouraged as much as possible.

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The great importance of oriental tobacco to the Tabakregie is shown by the fact that in the course of modernisation of the concern, the important task of tobacco buying was delegated to a branch organisation, the "Austria Einkaufsgenossenschaft der österreichischen Tabakregie im Orient, G. m. b. H., Wien". Its main task was to restore severed connections with the most important tobacco producers in Bulgaria, Greece and Turkey. Hungary, North and South America and the Dutch colonies also formerly supplied raw tobacco to the Austrian Tabakregie, but here there are still difficulties in the way of a restoration of trade which arise from the foreign exchange situation.

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The Tabakregie is a very important factor in the Austrian economy. Firstly it acts as a big employer of home labour with an inland sales organisation consisting

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of 8 warehouses, 258 tobacco distributors and 13,253 tobacconists' shops, thus providing a large number of Austrians with a secure livelihood. As the Tabakregie is a valued customer in the tobacco-producing countries compensation transactions are made possible for other home industries through its foreign dealings. Even during the first months of reconstruction (April to December, 1945) the Tabakregie contributed in taxes about 10 per cent of the total state revenues. In 1946 it provided about a third of these revenues (corporation taxes about 30 per cent and customs dues over 40 per cent), despite decreased production. A rise in output will certainly mean a considerable increase in these figures. It must also be mentioned that Tabakregie exports brought in over 55 million schillings in the year 1933, and that they should therefore play an important rôle in stabilising finances as soon as foreign markets are reopened.

The staff of the Tabakregie varies according to available supplies of raw materials and depends on the preferences and satisfaction of the smoker. In the year 1937, the concern employed 5421 workers, including 3912 women, and at the end of 1947, 2930 workers, of whom 1581 were women. The dwindling of the number of workers is only in a minor degree due to the effects of the war. The main reason must be sought for in the decrease in cigar consumption which has been in progress for some time. The smoker of today is turning more and more to the cheaper type of cigarette which is quickly consumed. The cigar is one of the victims of our hustling and mechanical age. Cigar production, which depends mostly on manual labour, is on the decline, while the cigarette, which is produced entirely by machinery, is becoming more popular. This explains the reduced number of employees. It may increase one day again, if people find time in more leisured days to blow heavy smoke rings from fat cigars.

At all events, the Austrian Tobacco Monopoly is doing its best to see that the smoker is well supplied at all times with his needs, which are those of so large a section of the community.

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Hallein, Salt Freighters.

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THE SALT MOUNTAINS OF AUSTRIA.

Salt-mining in Austria dates back to the prehistoric times of the Celts, was developed by the Romans and is closely connected with the growth of civilisation in the country.

The Austrian salt works in Upper Austria, Salzburg, Styria and Tyrol for a long time led an independent existence until Emperor Maximilian I put an end to it in the year 1490 by uniting all the Austrian Crown Lands under his rule.

His successor, Ferdinand I, set up a model organisation for the control of salt mining in his first edict.

In the year 1835 a salt monopoly was established in Austria as part of the introduction of other monopoly administrations. Technical discoveries made and developed in the course of the 19th century were first applied to the production of salt in the latter half of that period. Pressdrills using hydraulic pressure replaced boring machines worked by hand at Bad Ischl.

Electric power was introduced into the salt mines in the 'nineties, special power stations being set up in the mines themselves. Subsequently many hydraulic boring machines were replaced by power-driven borers.

of the 18th century did Böttger of Meissen succeed in solving the great mystery. Shortly afterwards, Paquier started his factory in the Porzellangasse. A bare fifteen years later Vienna had developed a technique of its own—the delicate shading of the clay, the glazing, and the gilding. Through "flower and figure painting", old Vienna porcelain soon became world-famous. Flower-painting became so popular that the Chinese attempted to copy Vienna motifs, and wares produced to appeal to Viennese tastes were shipped to Europe through the East India Company. But just as "chinoiserie" is never more than an imitation of Chinese painting, so this Chinese attempt to reproduce Vienna patterns did not come near the originals.

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Maria Theresia, who recognised the importance of applied art, took over the porcelain factory and made it a State undertaking. From this time on the manufacturers adopted the historic coat of arms of the Babenbergs as their trade-mark. The popular designation for it was "Beehive". This was the origin of the subsequently famous name for real Vienna china. The undertaking flourished, and was soon employing decorators of skill, painters in blue, rainbow-shades and gold. Orders poured in from abroad; one worthy of note was an order for 120,000 Turkish drinking vessels from Constantinople.

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Motifs for decoration were taken from painting, various allegoric figures, shepherdess scenes in the French style, subjects from mythology and later designs according to rococo taste. Landscapes and the so-called mosaic patterns took the place of leaf and ribbon work. Copperplate patterns made a change in subject and technique. About the middle of the 18th century, porcelain vessels as a whole became lighter and more graceful, relief work was added and the baroque handles gradually gave way to more natural styles. Figure painting was executed with a perfection of detail, based on Watteau scenes, mounted combats, shepherds and shepherdesses, rural and hunting scenes and lovers' meetings. Then the influence of Sevres made itself felt. This period is recalled to mind by dinner-services with rounded gold-network on a dark blue background and coloured figures on a white background.

Towards the end of the 18th century Director Sorgenthal brought new prosperity to the factory. Vienna vases were produced with pictures on the classicistic model, bowls with grotesque ornamentation and Raphaelite paintings. These designs were inspired by the antique wall paintings which at that time were being discovered in Herculanum and Pompeii, as well as the grotesque paintings by Raphael in the loggias of the Vatican, the engravings of which had made them widely known. This period was responsible for a number of charming old Vienna figurines and vessels which are among the masterpieces of ceramic art. At this time the Viennese also invented the famous "relief gold", an unequalled process for dissolving gold in oils and painting it on china.

AUSTRIA'S ECONOMIC DEVELOPMENT

Germany which had swallowed up one of their important customers and suppliers—Austria had up till then occupied the third or fourth place in the foreign trade of most of these countries. Politically and economically Germany had become the complete master of the whole area.

For Austria, of course, the occupation meant far more than a dangerous shift in Europe's economic balance. Her economy ceased to exist as a separate entity; within a very short time it was completely absorbed into Germany's war economy and her "New Order".[5]

The Germans were able at once to lay their hands on all Austrian State property. The railways were incorporated into the German railway system, the State forests taken over by the German State. The State monopoly in salt was given to the Deutsche Bank, and the tobacco monopoly taken over by a private German company. Far more important, however, were the shares of the Credit-Anstalt which were owned, at that time, by the Austrian Government. After the reorganization of the Credit-Anstalt in 1931, 49 per cent of its shares were taken over by the Government. These, together with some others, were now transferred to the Deutsche Bank. Since at the same time the only other important bank, the Zentraleuropäische Länderbank, came under the control of the Dresdner Bank, practically the whole of Austria's banking and insurance business had passed into German hands.

It must be borne in mind, in this connection, that the Central-European banks held a key position in the industrial life of their countries. It has been estimated that the Credit-Anstalt controlled almost 90 per cent of Austria's industry and agriculture. Moreover, the Austrian banks and financial institutions still possessed considerable investments in the Balkan countries, particu-

[5] [CA p. 91, CATEGORY IIC — ANALYST]